

**STATE BOARD OF EQUALIZATION
FISCAL YEAR 2010-11
PROPOSAL No. XX**

TITLE OF PROPOSED CHANGE:

San Diego District Office Facility

SUMMARY OF PROPOSED CHANGES:

The Board of Equalization (BOE) requests a budget augmentation to relocate the San Diego district office for the following reasons:

- Protect the health and safety of employees
- Meet the business operations needs of BOE

The following is a summary of the funding request:

	FY 2010-11	FY 2011-12	FY 2012-13 and Ongoing
San Diego			
General Fund	\$583,000	\$203,000	\$334,000
Reimbursements	262,000	91,000	151,000
San Diego Total	\$845,000	\$294,000	\$485,000

STATE BOARD OF EQUALIZATION

Fiscal Year 2010-11

San Diego District Office Facility

A. Nature of Request

The Board of Equalization (BOE) requests funding to protect the health and safety of employees by moving the San Diego district office staff to a new facility that meets business operations needs.

The San Diego district office building contains hazardous building materials (asbestos) that do not allow for repair or modifications of the building. BOE is requesting \$845,000 (\$583,000 General Fund and \$262,000 Reimbursements) in FY 2010-11, \$294,000 (\$203,000 General Fund and \$91,000 Reimbursements) in FY 2011-12 and \$485,000 (\$334,000 General Fund and \$151,000 Reimbursements) in FY 2012-13 and ongoing.

BOE is requesting a waiver of Government Code (G.C.) section 14682 which requires State agencies located in existing State-owned facilities who vacate their premises to continue to pay rent for the facilities. BOE proposes using their current facility rental allocation of \$402,000 for San Diego (1350 Front Street) to offset rental costs in the new location.

B. Background/History

The San Diego district office poses health and safety concerns for BOE employees and the building cannot be modified to meet BOE's security requirements. It is located at 1350 Front Street and construction was completed in 1961. The building is owned by the State of California, and managed and maintained by the Department of General Services. BOE rents space in the building. The building was constructed with what is now known to be hazardous materials (asbestos and lead based paint) and is not in compliance with the current Americans with Disabilities Act (ADA).

Health and Safety Concerns and Workers Compensation Claims

The health and safety of employees in the San Diego district office is a top priority. From 2007 to July 2009 there have been seven Workers' Compensation claims filed at the San Diego district office related to the building. Due to the hazardous materials (asbestos and lead based paint) used to construct the building, simple and routine repairs or modifications for the health and safety of employees are difficult if not impossible. Many of these claims are due to aged carpet that has torn. Attempts to spot patch the carpet with duct tape have not kept employees from tripping and falling. The Department of General Services (DGS) states they are unable to perform standard maintenance such as carpet and vinyl flooring replacement due to concerns of disturbing the asbestos. Two separate sewer related events have taken place. In June 2007 a raw sewage pipe failed causing a significant sewage leak into the main lobby and staff offices. The damage required a hazardous waste abatement firm to disinfect areas of the building. Then in July 2009, again due to sewer related problems, the water had to be turned off to conduct repairs. Employees were unable to work in the building for approximately two days. The water was shut off and portable

toilets were made available to accommodate employees until the plumbing could be repaired.

No longer meets the business needs of BOE

The San Diego district office building is unable to meet BOE's business needs. This is due to the inability to modify the space to comply with BOE's security standards to accommodate the appropriate number of cameras to cover the public lobby area and to make the necessary improvements to secure the cashier area where cash/payment transactions are processed. Although, a security guard is onsite during business hours, continual use of the building and office amenities by the high transient population within the area aggravates the situation. BOE also understands that this San Diego state building is on the list of assets to be sold as part of the budget balancing plan.

C. State Level Considerations

BOE is charged by the State Constitution and by statute to oversee the property tax assessment practices of 58 county assessors, assess and allocate the property values of railroads and specified utilities, administer the state's sales and use tax, fuel, alcohol, and tobacco taxes as well as collect fees to fund numerous specific state programs. Successful administration of these tax and fee programs has resulted in the collection of 32 percent of the State's annual revenue.

Every employer is required by law (California Labor Code) to provide a safe and healthy workplace for their employees. BOE has worked diligently to meet this requirement, however, the San Diego district office presents risk factors over which BOE has little or no control.

D. Justification and Analysis of All Feasible Alternatives

These alternatives request the relocation of approximately 98 BOE employees from the San Diego district office. Moving to a new location that is designed to meet BOE's business needs will help ensure effective and efficient administration of BOE's core business functions while providing a safe and healthy workplace. BOE requests that all funds currently allocated in our budget for the facility rent remain with BOE to help offset the costs of the new site (requires a waiver of G.C. 14682).

- BOE recommends the move be completed in one phase over two fiscal years.

Alternative 1 – Approve a budget augmentation of \$845,000 in FY 2010-11, \$294,000 in FY 2011-12 and \$485,000 ongoing, to move the San Diego district office program to a new location. Allow BOE to retain all funds currently allocated for the 1350 Front Street facility rental to help offset the costs of the new site (requires a waiver of G.C. 14682). The following table summarizes the funding request.

**San Diego District Office
Alternative I - Staff Recommendation**

	FY 2010-11	FY 2011-12	FY 2012-13
Description	Site selection, build out of tenant improvements	98 Employees Occupy 12/1/11	Ongoing
New Rent Estimate		\$524,000	\$898,000
Rent Offset		(\$248,000)	(\$425,424)
One-time Costs	\$823,000		
DGS Costs	\$22,000	\$18,000	\$12,000
Total Request	\$845,000	\$294,000	\$485,000

Pros:

- Provides a safe and healthy work environment for employees to work efficiently and effectively.
- Potentially minimizes facility related WC claims.
- Allows for the selection of a site that meets the business operations needs of BOE focused on revenue generation and processing.

Cons:

- Requires a budget augmentation.

Alternative 2 – Approve a budget augmentation of \$845,000 in FY 2010-11, \$542,000 in FY 2011-12 and \$910,000 ongoing, to move the San Diego district office program to a new location. This alternative requires BOE to continue to pay the rent at the 1350 Front Street facility until a backfill tenant is located pursuant to G.C. 14682. The following table summarizes the funding request.

**San Diego District Office
Alternative II**

	FY 2010-11	FY 2011-12	FY 2012-13
Description	Site selection, build out of tenant improvements	98 Employees Occupy 12/1/11	Ongoing
New Rent Estimate		\$524,000	\$898,000
Rent Offset			
One-time Costs	\$823,000		
DGS Costs	\$22,000	\$18,000	\$12,000
Total Request	\$845,000	\$542,000	\$910,000

Pros:

- Provides a safe and healthy work environment for employees to work efficiently and effectively.
- Potentially minimizes facility related WC claims.
- Allows for the selection of a site that meets the business operations needs of BOE focused on revenue generation and processing.

Cons:

- Requires a larger budget augmentation than Alternative #1 due to the need to continue paying rent at the existing facility until a backfill tenant is located.
- The condition and history of the 1350 Front Street facility may make it difficult to find a backfill tenant.

Alternative 3 – Deny this request.

This alternative will result in the following:

The building at 1350 Front Street will continue to pose health and safety concerns, and not meet business operations needs. WC claims related to the building are expected to continue to rise, and potential business operations needs that go unmet continue the risk of improper cash handling and breaches of security. If the building is eventually sold, these employees will need to be relocated at that time.

Pros:

- Does not require a budget augmentation.

Cons:

- Provides challenges to BOE's ability to provide a safe and healthy work environment that allows employees to work efficiently and effectively.
- Puts at risk BOE's ability to continue with its core mission of revenue generation and processing due to disruptions caused by building issues.
- Failure to relocate employees will likely result in increased costs to the State in lost revenue generating productivity and continued WC claims.
- Inability to meet the district office security requirements and adequately address the health and safety issues for the San Diego building due to encapsulated asbestos.
- Continuing employee distrust and fear, impacted performance and an emotionally and mentally impacted workforce, at all levels, due to lack of action to relocate staff to suitable locations.

E. Facility/Capital Outlay Considerations

This Budget Change Proposal addresses the BOE San Diego district office building and the need to relocate employees due to concerns of health and safety issues. BOE is requesting a waiver of G.C. section 14682 which requires state agencies located in existing state-owned facilities who vacate their premises to continue to pay rent for the facilities. BOE would apply the funding currently allocated for 1350 Front Street rent of \$402,000 in San Diego to be used to offset new rental costs.

F. Outcomes and Accountability

This proposal will enable BOE to relocate its San Diego district office employees to a location that meets the business needs of BOE where the health and safety of employees is not a constant concern. Securing business operations allows BOE to efficiently and effectively collect and generate revenue.

The Deputy Director of Administration will maintain control and oversight of the office relocations.

G. Timetable

Upon approval of the recommended alternative, the BOE will conduct a site search and planning with DGS to implement this proposal beginning July 1, 2010. For the San Diego district office, a site would be selected during FY 2010-11 and then all employees would be moved into the new location during FY 2011-12. The chart below details the timeline.

San Diego District Office	
FY 2010-11	FY 2011-12
Site Selection & Build Out of Tenant Improvements	98 Employees Occupy

H. Recommendation

Alternative 1 is recommended. Approve budget augmentation of \$845,000 in FY 2010-11, \$294,000 in FY 2011-12 and \$485,000 and ongoing, to move the San Diego district office program to a new location. Allow BOE to retain all funds currently allocated for the 1350 Front Street facility rental to remain with BOE to help offset the costs of the new site (requires a waiver of G.C. 14682).

I. Fiscal Detail

See attached "Fiscal Detail" schedules.

BCP No. XX
DATE: August 31, 2009

STATE OF CALIFORNIA
BUDGET CHANGE PROPOSAL--FISCAL DETAIL
STATE OPERATIONS
FISCAL YEAR 2010-11
(Dollars in Thousands)

Title of Proposed Change: SAN DIEGO DISTRICT OFFICE FACILITY

Program/Element/Component: 30 Sales and Use Tax/All Elements

	PERSONNEL YEARS			CY 2009-10	BY 2010-11	BY + 1 2011-12
	CY	BY	BY + 1			
	2009-10	2010-11	2011-12			
TOTAL SALARIES AND WAGES						
Salary Savings						
NET TOTAL SALARIES AND WAGES						
Staff Benefits						
TOTAL PERSONAL SERVICES						
OPERATING EXPENSE AND EQUIPMENT						
General Expense					\$845	\$18
Printing						
Communications						
Postage						
Travel--In-State						
Travel--Out-of -State						
Training						
Facilities Operations						276
Consulting & Professional Services: Interdepartmental						
Consulting & Professional Services: External						
Department of Technology Services						
Data Processing						
Equipment						
Other Items of Expense: (Specify Below)						

	CY 2009-10	BY 2010-11	BY + 1 2011-12
TOTAL OPERATING EXPENSE AND EQUIPMENT		\$845	\$294
TOTAL EXPENDITURES (State Operations)		\$845	\$294

Source of Funds

General Fund	(0001)	\$583	\$203
Special Funds:			
Breast Cancer Fund	(0004)		
State Emergency Telephone	(0022)		
Motor Vehicle Fuel Account	(0061)		
Occupational Lead Prevention Fund	(0070)		
Childhood Lead Poisoning Prev. Fund	(0080)		
Cig. and Tobacco Prod. Surtax Fund	(0230)		
Oil Spill Prevention and Admin. Fund	(0320)		
Integrated Waste Management	(0387)		
Underground Storage Tank Fund	(0439)		
Energy Resources Programs Account	(0465)		
CA. Children and Families First Trust Fund	(0623)		
Federal Trust Fund	(0890)		
Timber Tax Fund	(0965)		
Gas Consumption Surcharge Fund	(3015)		
Water Rights Fund	(3058)		
Elec. Waste Recovery and Recycling Acct.	(3065)		
Cig. and Tobacco Prod. Compliance Fund	(3067)		
Federal Funds			
Other Funds			
Reimbursements	(0995)	\$262	\$91
Net Total Augmentation (Source of Funds)		\$845	\$294

SUPPLEMENTAL INFORMATION

Dollars in Thousands

	Current Year 2009-10	Budget Year 2010-11	Budget Year + One 2011-12
Proposed Equipment:			
N/A			
Total			
Proposed Contracts:			
N/A			
Total			
One-Time Costs:			
General Expense		\$823	
Total		\$823	
Future Savings:			
N/A			
Total			
Full-Year Cost Adjustments:			
N/A			
Total			